

December 9, 2003

Honorable Judges of the State of Michigan  
34<sup>th</sup> Judicial District Court  
11131 Wayne Road  
Romulus, MI 48174

Dear Judges:

We have recently completed our audit of the financial statements of the State of Michigan 34<sup>th</sup> Judicial District Court for the year ended June 30, 2003. In addition to the audit report, we offer the following comments and recommendations:

#### **GASB 34**

As noted last year, the Government Accounting Standards Board has issued a major new pronouncement that will drastically change the way governmental financial statements will look. The purported benefits of the new model include improved comparability of financial statements between governmental entities, and a better matching of the current year's revenue sources to the full cost of services provided during that year.

For the District Court, this pronouncement will be effective beginning July 1, 2003. One significant change for the Court is, after adoption of GASB 34, the Court will begin recording accumulated liabilities such as compensated absences. These liabilities will likely be offset by a corresponding receivable from the City of Romulus.

#### **General Policies**

The State requires local units of government and affiliated organizations to adopt certain policies pertaining to operations. We noted that the Court has not implemented formal policies related to investments, credit cards, and ACH transactions. The Court should review the applicable State requirements to ensure compliance. We can provide the Court with the applicable State laws and regulations, if you require this information.

#### **Subsequent Events**

Subsequent to June 30, 2003, but prior to issuance of the Court's financial statements, it was determined that Court personnel were aware of changes to information presented in the Court's financial statements. These changes did not have a material effect on the financial statements, however, we would encourage the Court review its procedures to ensure any substantive transactions after the balance sheet date relating to that year end be communicated to the Court Administrator in a timely manner.

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### **Operating Budget**

The Court receives a separate budget for the Work Program, with anticipated revenues and expenses being approved by Council. We recommend that the Court consider budgeting and recording revenues and related expenditures for this program in the General Fund to more appropriately reflect the financial results of the program. Also, the Court prepares and measures results against a detailed operating budget. While a formal budget amendment is required only when the Court's total operating expenditures are going to exceed the lump sum budget approved by Romulus City Council, the Court should periodically consider if line item budget adjustments are necessary to reflect developments during the year.

### **Other Matters**

During the audit we noted that there are currently eight authorized check signers for the bank accounts, with two signatures required. We recommend the Court consider reducing the number of authorized signers.

Over the last several years, the Court has implemented new control procedures related to financial management. The Court's procedures include a review of the monthly bank reconciliation package by the Court Administrator. To complete this procedure, we recommend that the Court Administrator sign the bank reconciliations after review. Also, as a new control, the Court should consider having a Judge or the Court Administrator review each annual W-2 wage statement and agree the total to other annual summary payroll reports (such as the W-3 "Transmittal of Wage and Tax Statements"). If you desire, we could provide the Court with an example of how this procedure would operate.

Finally, as we have discussed in the past, the Court may want to consider developing a monthly (and year-to-date) "flash report" that would provide the Court's management and its participating local units of government with statistics to monitor the volume of the violations issued.

We appreciate the opportunity to serve the Court. We would like to thank the staff of the Court for the cooperation extended to us during the audit. If you have any questions regarding this letter, please feel free to contact us.

Yours truly,

PLANTE & MORAN, PLLC



Frank W. Audia



Stacey L. Reeves